Profit margins plunge in slack second quarter

Some analysts predict rebound by next year

By Rurick Telberg

Profit margins at food-service and lodging companies continued to erode in the second quarter but chief financial officers saw reason to hope for an end to the recession that some analysts say has pushed nationwide corporate earnings to a five-year low.

"I am 100% confident the business situation will improve," opined Bill Hancock, chief financial officer of American Motor Inns. "The problem is when."

A *Nation's Restaurant News* survey of the year-to-year quarterly results of 41 food service and 10 lodging firms for their fiscal periods ended in April, May or June showed that profits fell 3% while revenues rose 12%.

Aftertax profit margins for the combined industries dropped 14% to 5.5% of sales.

The lodging was particularly hard hit. With profits down 33%, margins narrowed 41% to 5.7% of sales, despite a 10% revenues gain.

The food-service business fared better. Margins slipped 2% to 5.4% of sales as profits and revenues both grew 12% from 1981.

"It's cutthroat competition that's keeping prices down and that shows up in your margins," said Jack Harmon, chief financial officer at Western Steer.

Harmon added though, "We see light at the end of the tunnel." He predicted that in the first quarter of next year "we'll get the beginnings of an extended period of good times."

Rick Kasch, chief financial officer of Brock Hotels, where the main growth vehicle is now its ShowBiz Pizza chain, predicted, "This fall, September or October, we'll start to come out on the upward trend."

Loren Pannier, chief financial officer at Carl Karcher's, was "cautiously optimistic, but I'm sure having to wait a long time to see it."

Much of the businessmen's optimism was tempered, however, by the apparent flip-flop of the Reagan Administration in pushing a nearly $100 billion tax hike bill that originated in the Senate.

"I'm a believer in Reaganomics," said Harmon, "but I'm beginning to question whether Reagan is."

Other surveys of second-quarter earnings indicated that the four major industries—manufacturing, railroads, utilities and banking—suffered an 18% decline in profits from 1981 and that more than half of United States corporations suffered a net loss or a decline in the period.

Hard times in the hotel business were led by Holiday Inns which reported a profit falloff of 11% and Hilton Hotels which reported a falloff of 22% both largely due to problems with gaming and reduced occupancy rates. Ramada Inns lost $6.5 million based largely on its Atlantic City casino project.

Coffee shops and family restaurants held margins tight as profit growth outstripped sales growth, perhaps reflecting the market's move away from dinnerhouses, which suffered the worst in the second quarter.

Ponderosa reported a 9% decline in profits and Victoria Station suffered an 88% profit drop. Sea Galley was off 5% and Restaurant Associates was off 50%. Largely on the growth of Chi-Chi's, however, Mexican dinnerhouses charted a 133% profit increase but margins nevertheless narrowed.

Big fast-food gainers included McDonald's, Wendy's, Carl Karcher's and Godfather's. Shoney's showed a profit gain of 19% largely on the basis of a one-time earnings boost due to a $2 million stock swap. One of the few losers was Church's whose profits fell 8%.

SECOND QUARTER SALES AND EARNINGS OF 51 FOOD-SERVICE AND LODGING FIRMS*

(Fiscal period ended April-June compared to April-June 1981)

Segment	Number of firms surveyed	Revenues: April-June 1982 (Millions)	Revenues: Per Cent change from 1981	Profits: April-June 1982 (Millions)	Profits: Per cent change from 1981	Margins: Profit as per cent of sales April-June 1982	Margins: Per cent change from 1981
Fast Food	16	$1,479.0	+ 13%	$135.1	+ 12%	9.1%	– 1%
Dinnerhouses	14	291.1	+ 11	8.9	+ 2	3.1	– 6
Steak	6	172.5	+ 4	4.5	– 4	2.6	– 7
Mexican	3	34.4	+119	2.1	+133	6.1	– 7
Full-menu	5	84.2	+ 6	2.3	– 26	2.7	–31
Coffee shops	4	48.1	+ 12	1.6	+ 14	3.3	0
All other**	7	1,758.1	+ 11	49.3	+ 12	2.8	0
Food Service Total	41	3,576.3	+ 12	194.9	+ 12	5.4	– 2
Lodging	10	989.9	+ 10	57.1	– 33	5.7	–41
Food Service and Lodging Total	51	4,566.2	+ 12	252.0	– 3	5.5	–14

Source: *NRN* Research

*Refers to the calendar quarter not the firms' fiscal quarters. All dollar amounts were taken from company earnings reports with periods ending in April, May or June.
**Includes four diversified, two cafeteria and one contract feeding firm

Publicly held Peoples sees profit in first year

RICHARDSON, Tex.—Peoples Restaurants, the budding family restaurant chain spun off by the owners of Bonanza steakhouses, reported that it completed its first full year as a public firm in the black.

The company, which had 24 units at the end of the year on June 27, reported profits of $806,000, compared to a 1981 loss of $40,000. Revenues increased more than tenfold to $5.8 million from $548,000 in 1981.

Systemwide sales increased to $18.1 million from $4.2 million as the number of restaurants in operation at year-end went from seven to 24.

In the fourth quarter, Peoples reported profits of $219,000 compared to a 1981 fourth quarter loss of $47,000. Fourth quarter revenues increased to $3.2 million from $291,000 in the same period last year.

Systemwide sales in the fourth quarter grew from $2.1 million in 1981 to $6.6 million this year.

At year-end, half of the chain's 24 units were franchised. Three new units were opened in the fourth quarter and two more were opened in July, bringing the number in the system to 27.

Bonanza, a 630-unit chain, recently sold off its interest.

EARNINGS REPORT

Company	Period	Period Ended	Total Sales*	% Change	Revenues*†	% Change	Net Income (Loss)*	% Change
Ogden Corp.	6 mos. 3 mos.	6/30			$1,043.696 504.844	10.00 13	$ 31.610 15.478	(5) (8)
Jerrico Inc.	12 mos. 3 mos.	6/30			427.055 112.086	12 9	21.801 6.059	5 (12)
Del E. Webb Corp.	6 mos. 3 mos.	6/30			166.484 84.174	19 21	(1.208) ($884,000)	
People's Rests.	12 mos. 3 mos.	6/27	$18.117 6.611	34 22	5.831 3.161	64 25		
Restaurants Assocs.	6 mos. 13 wks.	6/26			50.311 25.605	2 2	872,000 493,000	58 50
Oakbrook Consol.	39 wks. 13 wks.	6/26			105.958 38.875	5 9	593,000 379,000	(59) (52)
Pancho's Mex. Buffet	9 mos. 13 wks.	6/30			17.619 6.327	13 11	437,040 151,013	2 (38)
Sea Galley Stores	6 mos.	6/30	33.2	55			1.1	6
Imasco Ltd.	13 wks.	6/30			671.237	29	35.894	43
Associated Hosts	39 wks. 13 wks.	6/26			59.895 19.489	0.1 4	1.591 254,000	9 (47)
Wendy's	6 mos. 13 wks.	6/26			292.410 154.040	33 27	20.158 12.042	20 23
Mr. Steak Inc.	9 mos. 13 wks.	6/27			44.578 16.502	9 17	(408,000) 26,000	 (81)
ARA Services	39 wks. 13 wks.	7/2			2,091.280 686.263	0.1 0.09	39.849 13.372	3 7
Ramada Inns Inc.	26 wks. 13 wks.	7/1			271.428 143.085	36 37	(12.678) (6.536)	
United Inns Inc.	9 mos. 13 wks.	6/30			106.864 37.753	9 6	6.853 2.564	4 10
Sonesta Int'l Hotels	6 mos. 13 wks.	6/30			73.805 39.537	3 7	1.669 2.380	27 104
Bob Evans Farms Inc.	13 wks.	7/30	44.433	12			3.290	0.2
Kelly-Johnston	13 wks.				8.280	135	497,865	69

Source: *Company earnings reports*

—loss in corresponding period
**In millions*
†In cases where companies do not break out their total sales for all units, revenues are indicated instead. These generally consist of company-owned restaurant sales, franchise fees and rental incomes, royalties and operating income, as well as other miscellaneous incomes, such as interest income and gains on real estate and construction.

RA 2nd quarter net drops

NEW YORK—Restaurant Associates Inc., a broad-based restaurant and hospitality company, reported net income of $493,000 for the second quarter ended June 26, down 50% from $992,000 in the prior year's comparable period.

Revenues were $25.6 million, a slight increase from last year's $25 million.

For the six months, net income was off 58%, $872,000, from $2.1 million the year before. The prior year's results included extraordinary tax credits and nonrecurring pretax gains totaling $1.7 million.

Revenues for the six months were $50.3 million, up from $49 million the year before.

The company said second quarter performance of certain restaurant properties suffered from bad weather and the recession. Restaurant Associates operates more than 50 food establishments, including 14 Charlie Brown's steakhouses, and several lodging facilities along the Eastern Seaboard from Maine to Florida. It also has 115 newsstands and gift shops in seven cities.

Pizza Hut operating profits up 16%

PURCHASE, N.Y.—Pizza Hut reported revenues and operating profits up 16% during the second quarter, ended June 12, over last year.

Parent PepsiCo also said combined average store sales in company-owned Pizza Hut and Taco Bell restaurants were up 13% from last year.

A company spokesman said, "Taco Bell sales are relatively flat at this point in time, accompanied by very strong gains at Pizza Hut."

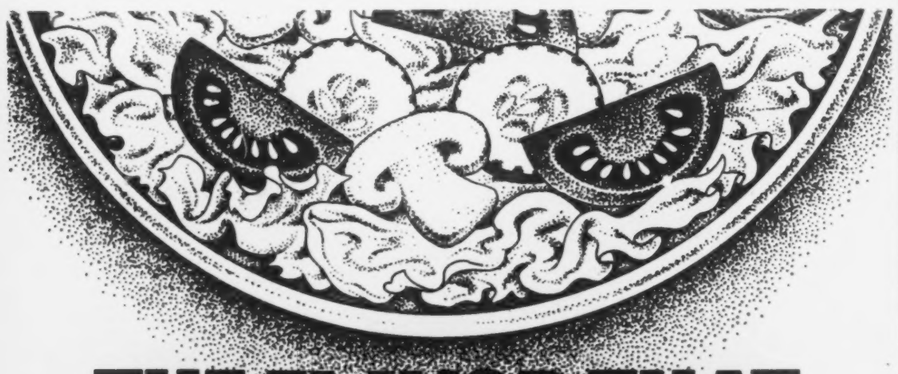
The spokesman said PepsiCo's food-service segment, which includes Pizza Hut and Taco Bell, realized sales per store, minus gains due to price increases, of 4% above sales for last year's second quarter.

There were 1,850 company-owned Pizza Huts and 835 company-owned Taco Bells at the end of 1981.

READ CLASSIFIED ADS

THE FAST FOOD FRENCH FRY DESIGNED FOR MAXIMUM YIELD.

SIMPLOT® BLUE RIBBON
THE FAST FOOD FRENCH FRY.



THE FLAVOR THAT MEANS BUSINESS.

Colman's Mustard.

It's the classic flavor-maker. Add it to salad dressings, sauces, meat dishes... even soups.

Then watch your customers give you the business.

For more information or a taste test in your kitchen, call toll-free 800/828-6770. In New York call 800/462-6956. Or write The R.T. French Company, Foodservice Products Group, Dept. F0007, Box 22338, Rochester, New York 14692.

OUR COFFEE BREAKS PAY OFF

helping you maximize coffee profits

Dine-mor®

We serve the people who serve the best coffee

Do promos draw traffic? NRA survey says no

By Joe Edwards

WASHINGTON—Special discounts and promotions exert little or no influence on the majority of consumers when they are picking a place to eat out, according to a National Restaurant Association survey.

That surprising finding, contained in a lengthy report on the consumer decision-making process for choosing three types of restaurants, comes at a time when restaurant operators are spending millions promoting sweepstakes, giveaways and meal discounts to lure customers through their doors.

Such gimmicks, however, are not as effective as some recession-weary operators might think as they map strategies to stabilize or build customer traffic, the survey indicates. In fact, customers desire quality food and friendly service above all; they even rank parking and convenient locations as more important than discounts.

In a nationwide telephone survey, the NRA asked hundreds of regular restaurant patrons a variety of questions dealing with their dining out habits. Discounts and promotions were shown to be relatively ineffective ways of attracting those patrons to fast-food, family and "atmosphere" restaurants.

Nearly 43% of the respondents said games, prizes and coupons were not at all important when they pick a particular fast-food restaurant. Another 13% said such gimmicks were only slightly important. Only 16.4% said discounts and promotions were very important.

In the family restaurant category, 58% of the respondents said discounts and promotions were not at all important and 11.7% said they were only slightly important. Only 7.7% said they felt discounts were very important when they pick a family restaurant.

Even fewer respondents said they were enticed by discounts and promotions when looking to eat at an upscale atmosphere restaurant. Close to 88% said such deals were of little or no importance when they choose such a restaurant and only 3.5% said they were very important.

In light of the widespread use of discounts and promotions, especially by fast-food chain operators, the NRA survey results could touch off another round of debate within the industry about the viability of such gimmicks.

These traffic-building methods have been criticized over the years as stopgap measures at best and ineffective and detrimental to a restaurant's image at worst. Others view couponing and other special deals as necessary evils with only short-term benefits.

In times of economic hardship, though, the use of promotions and couponing often increases; this has been the case in the last two years. McDonald's for one has sponsored several multimillion dollar promotions recently and has offered free samples of two new menu items, Chicken McNuggets and McRib sandwiches.

McDonald's Build-a-Big-Mac sweepstakes was credited with boosting unit sales and customer counts in the late winter and spring of 1981 and the chain has followed that promotion with others.

Special discounts and promotions in the restaurant industry usually fall into two categories. Operators discount meals with cents-off coupons or sponsor sweepstakes, distributing game cards at the service counter.

Use of promotions such as game cards has increased about 28% in the last two years, according to a premium and incentives trade publication. Often such games are favored by large chains because top prizes can go unclaimed.

Another publication, which tracks the performance of several major fast-food and family restaurant chains, reported that a record 80% of the stores it follows ran promotions in 1981, compared to 73% in 1980 and 67% in 1979.

Restaurants running such promotions scored higher nominal sales gains than those not promoting in 1981, according to this source, but "the sales gap . . . did narrow and is currently holding to about one percentage point."

Consumers surveyed by NRA said they considered quality food and friendly service as the most important attributes of fast-food, family and atmosphere restaurants.

In the fast-food category, other attributes affecting consumers when picking a place to eat were, in order of their importance: convenient location, fast service, convenient parking, expected cost of the total meal, nutritious food, atmosphere, price of individual menu items, variety of menu items, special menu items, discounts and promotions and the availability of a nonsmoking section.

For family restaurants, the most important attributes after quality food and friendly service were atmosphere, nutritious food, variety of menu items, expected cost of the total meal, convenient parking, fast service, convenient location, special menu items, price of individual menu items, availability of a nonsmoking section and special discounts and promotions.

For atmosphere restaurants, after food quality and friendly service, the most important attributes are atmosphere, variety of menu items, nutritious food, special menu items, convenient parking, fast service, convenient location, expected cost of the total meal, price of individual menu items, availability of a nonsmoking section and discounts and promotions.

Bud Ruzitsky, chairman of the NRA committee on education and research and head of Serv-Rite, a Buffalo, N.Y.-based contract feeder, said the survey findings should be "very useful" to most operators.

"Our particular company is making plans for next year and we're taking note of the results—quality of food and friendliness of service," Ruzitsky said. "This is the type of research that can be helpful to owners."

The NRA surveyed 802 households in a cross-country random-dialing telephone survey, according to Betty Hoyt, research manager. Only those persons who had dined out in

(Continued on page 45)

IMPORTANCE OF SPECIAL DISCOUNTS AND PROMOTIONS

Degree of Importance	Fast-Food Restaurant	Family Restaurant	Atmosphere Restaurant
Not at all important	42.7%	58.0%	77.8%
Slightly important	13.0	11.7	10.0
Somewhat important	13.8	9.9	4.6
Important	10.6	10.5	3.4
Very important	16.4	7.7	3.5

Source: National Restaurant Association

While restaurant operators are spending millions promoting sweepstakes, giveaways and meal discounts, such gimmicks are not very effective in stabilizing or building customer traffic, the survey indicates. In fact, customers desire quality food and friendly service.

IMPORTANCE OF QUALITY FOOD

Degree of Importance	Fast-Food Restaurant	Family Restaurant	Atmosphere Restaurant
Not at all important	2.7%	1.4%	0.4%
Slightly important	2.5	1.4	0.2
Somewhat important	11.3	5.8	1.3
Important	31.9	26.3	20.8
Very important	50.3	64.9	77.4

Source: National Restaurant Association

Tex Critter's Pizza plots rapid growth

WESTLAKE VILLAGE, Calif.—Tex Critter's Pizza Jamboree is expanding rapidly, hoping to emerge as a factor in the race among pizza theaters featuring computer-animated robot performers. Tex Critter's parent, Castle Entertainment Inc., based here, is opening units at the rate of one a week through July, August and September at sites in Colorado, Arizona, Puerto Rico and the Midwest.

Mike Leone, Castle's vice president of marketing, describes the Tex Critter's concept as an "entertainment center."

The Tex Critter's units, averaging 10,000 to 12,000 sq. ft., have a 250-seat main theater, a 100-seat video theater and a computer learning center area where customers can rent time on personal computers. The video theaters show taped movies and video tapes of community group activities for private parties.

Leone, former marketing vp with W. R. Grace's Far West Services group, hopes Tex Critter's format of six-minute shows by its robot performers will prove a more popular attraction than the one- or one-and-a-half minute presentations at competing pizza theaters. Castle has enlisted the technical assistance of a firm which has done work for the Six Flags amusement parks and special effects for the television program Battlestar Galactica.

The menu consists of pizza, submarine sandwiches, a salad bar, ice cream sundaes and beer and wine.

The first Tex Critter's unit opened in early July in a new strip center in Aurora, Colo., followed by a second unit in the recently vacated Cafe Casino building in the Metro Center mall in north Phoenix. The third opened in the new Chapel Hills mall in Colorado Springs early this month. A Tex Critter's then opened as the central attraction of a food-court addition to the Plaza Carolina shopping mall in San Juan, Puerto Rico. A fifth outlet was scheduled to open this month in a mall addition in Davenport, Iowa.

Next month Castle plans to open two more units in Arizona—a second Phoenix location and one in Flagstaff. Later in the month, two more are scheduled to open at unspecified locations in the Midwest.

Castle is financing their rapid chain deployment with proceeds from its first public stock offering in April. One million shares at $6.50 per share were almost immediately purchased; the Castle stock is traded over the counter. Because of S.E.C. restrictions on new public companies Castle officials would not release projections on anticipated revenues. Such information should become available when the company closes out the current fiscal year

Castle Entertainment Inc. was founded 10 years ago by brothers Bill and Ron Rameson, and partner Tom Clark. In addition to the Tex Critter's concept, the company operates video and game arcades, including those situated in its five Castle Park theme attractions which feature miniature golf courses. Three Castle Parks are operating in southern California; one in Fort Lauderdale, Fla., and one, a 16-acre facility which Leone characterized as "the Disneyland of Hawaii," in Honolulu. Two more parks are scheduled to open this year

The company recently made two appointments of operations personnel to get the Tex Critter's venture on track. R. Eric Bomhard was named operations manager for the company's restaurant division. Bomhard, 33, will be establishing all operating systems, policies and procedures for continuing nationwide development of the concept. He had been general manager of the Showbiz Pizza Place in Dayton, Ohio, and was most recently involved in opening a Sgt. Singer's Pizza Circus in Pasadena, Tex.

Christopher R. Carter was named operations training manager, responsible for developing programs for management and staff of the Castle Park centers and the pizza restaurants.

Tex Critter the Dragon, the chain's computer-animated star.

Patrons unimpressed by promos

(Continued from page 38)

the two weeks prior to the phone call were questioned, Hoyt said.

The median number of times respondents reported eating out at fast-food restaurants during a month was 3.9 times compared to 2.8 times at a family restaurant and 2.4 times at an atmosphere restaurant.

According to the survey, 58% said they ate at a fast feeder at least once a week and 25% twice a week or more; 46% of the respondents said they visit a family restaurant once or twice a month and 12.9% said they eat out more than seven times a month.

A majority of respondents told NRA they had a favorite fast-food, family and atmosphere restaurant. Favorite fast-food restaurants feature hamburgers for six out of 10 respondents. About 13% said their favorite family restaurant serves steak or other beef items; 20% said their favorite atmosphere restaurant specializes in all types of food and another 20% said their favorites served steak and beef entrees.

The primary reasons for eating out at a fast-food restaurant, according to the survey, are convenience (13.1%) and lack of time (37%). Celebrating a special occasion or lack of time are the primary reasons for eating out at a family restaurant, according to the survey. Celebrating a special occasion or enjoying a night out are the primary reasons for dining at atmosphere restaurants.

Children and teenagers "have considerable influence on decisions to eat at fast-food restaurants and they are especially influential in deciding which restaurant to patronize," the report says.

The NRA report also covers where and when the decision to eat out is made; how consumers find out about restaurants; influence of party members on the decision to eat out; degree of difficulty in preparing the same meal at home, and a close look at how consumers view the attributes of certain restaurants.

The report, "Consumer Decision-Making Process for Three Types of Restaurants," is being published by the National Restaurant Association this month.

PRIMARY REASONS FOR EATING OUT

Reason	Fast-Food Restaurant	Family Restaurant	Atmosphere Restaurant
Lack of time	36.8%	11.2%	3.1%
Good place for children	1.2	0.6	
Inexpensive	1.1	0.7	0.5
Out shopping	9.9	7.1	2.1
Traveling	5.4	5.0	1.7
Birthday	0.4	5.8	13.1
Location	2.5	1.2	0.6
Convenience	13.1	7.3	1.5
Like to eat out	4.2	8.5	8.7
Don't want to cook/ cleanup	8.1	5.3	0.9
Anniversary	0.1	1.9	4.9
Other occasion	1.6	13.2	20.7
Business meeting	0.2	0.7	3.3
No special reason	1.6	5.2	6.7
Date		2.2	4.7
Night out	1.3	4.4	13.5
All other reasons	10.0	15.0	7.5
Don't know	2.6	4.7	6.3

Source: National Restaurant Association

Save money during Rudy's Farm big September link promotion!

Get full details from your distributor salesman

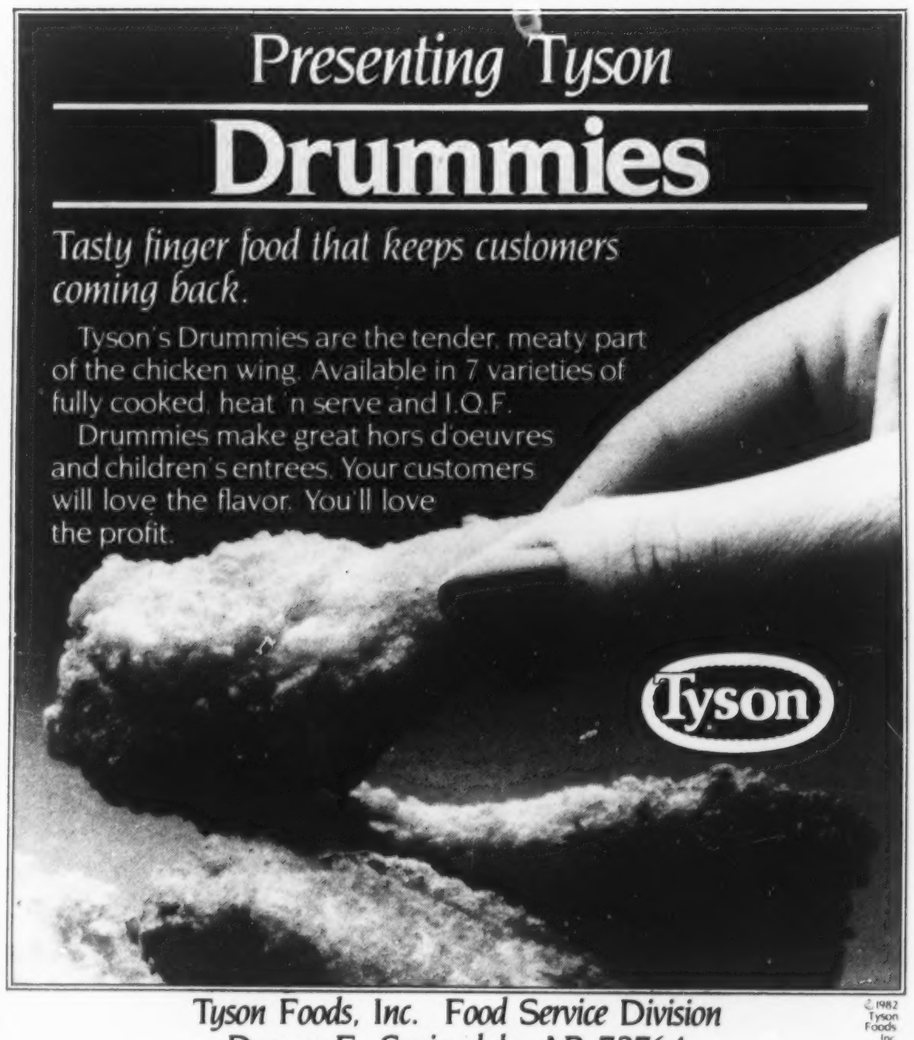
RUDY'S FARM
Whole Hog Country Sausage
Nashville, Tennessee 37214
1-800-251-8987

Sausage is our only business, so we make it right, every time.

Presenting Tyson
Drummies
Tasty finger food that keeps customers coming back.

Tyson's Drummies are the tender, meaty part of the chicken wing. Available in 7 varieties of fully cooked, heat 'n serve and I.Q.F.

Drummies make great hors d'oeuvres and children's entrees. Your customers will love the flavor. You'll love the profit.



Tyson Foods, Inc. Food Service Division
Drawer E Springdale, AR 72764
1-800-643-3410
© 1982 Tyson Foods Inc

MYERS'S. THE FIRST COLLECTION OF LUXURY RUMS.

There are rums. And then there's Myers's—the luxury line that offers a choice: exquisitely smooth Platinum White, beautifully mixable Golden Rich, and Myers's Original Dark—the ultimate in rich rum taste.

Be sure you carry Myers's Rums. They're the rums for premium profit.

THE HOUSE OF SEAGRAM
Calvert General Wine, Seagram, Sterling Sales
The Seagram Wine Companies

MYERS'S RUMS, 80 PROOF,
FRED L. MYERS & SONS CO. ORIGINAL DARK IMPORTED AND BOTTLED IN BALTIMORE, MD.
PLATINUM WHITE AND GOLDEN RICH PRODUCED IN ARECIBO P.R. © 1982 THE HOUSE OF SEAGRAM, N.Y.C.

BEST AVAILABLE COPY

C5150-5

21-47224- 1 9109902
10191213
CONGRESSIONAL INFO SVC INC
JOHN KENNEDY/STI ACCQ LD
4520 EAST-WEST HWY/STEMBOO
WASHINGTON DC 20014

THE TOP 10 VOLUME RESTAURANTS

A Look at Where the Crowds Go—Pp. 71-80

Nation's Restaurant News®

The Newspaper of the Food Service Industry

Vol. 16, No. 19 | Published every other Monday, 25 times a year, by Lebhar-Friedman Inc.; $2 a copy, $15 a year | September 13, 1982

Slow growth shackling fast-feeders

By Joe Edwards

The ability of the fast-food industry to recover not only from the current economic crisis but the protracted slump which began in the late 1970's is being stymied by the lack of significant unit expansion, menu price hikes, customer count improvements and successful new product rollouts.

Domestic fast-food unit growth, which accounted for an estimated two-thirds of the annual systemwide sales increases at major chains between 1977 and 1981, has slowed dramatically in the last two years, due mostly to high interest rates and market saturation.

Menu prices, which rose about 10% per year in the last five years, have stabilized, cutting off an important sales

(Continued on page 171)

UNIT SALES PERFORMANCE OF MAJOR FAST FEEDERS

	1977		1978		1979		1980		1981		1982		Nominal Compound Annual Growth Unit Sales 1977-82	Nominal Compound Annual Growth Unit Sales 1980-82	Actual Compound Annual Growth† Unit Sales 1977-82
	Average Unit Sales	Real Sales % Change	Average Unit Sales	Real Sales % Change	Average Unit Sales	Real Sales % Change	Average Unit Sales	Real Sales % Change	Average Unit Sales	Real Sales % Change	Average Unit Sales	Real Sales % Change			
McDonald's	$857,000	5.5%	$942,000	– 1.0%	$1 M	– 5.0%	$1 M	–3.5%	$1.1 M	2.0%	$1.2 M*	3.0%*	7.0%	9.5%	–1.9%
Burger King	$524,000	4.0%	$572,000	N/A	$639,000	4.0%	$710,000	N/A	$728,000	– 5.5%	$751,000	0.2%	7.5%	2.8%	–1.4%
Wendy's	$610,000	N/A	$689,000	13.0%	$620,000	–10.0%	$627,000	N/A	$674,000	– 0.5%	$720,000*	2.8%*	3.4%	7.2%	–5.1%
KFC**	$270,000	N/A	$285,000	–12.0%	$325,000	8.0%	$364,000	5.0%	$427,000	1.0%	$468,000	6.4%	11.6%	13.4%	2.4%
Church's	$340,000	16.0%	$403,000	10.0%	$410,000	– 3.0%	$403,000	–9.0%	$400,000	–10.0%	$415,000*	2.0%*	4.1%	1.5%	–4.6%

Source: *NRN* Research

*Estimated
**Company-owned units only
†To arrive at the figures for the actual compound annual growth (last column), the food-away-from-home consumer price index for the industry as a whole was used as a deflator. For the years 1977-82, the food-away-from-home consumer price index was 8.98%.

Krystal to purchase Po Folks

By Don Jeffrey

NASHVILLE—Krystal Company, the Chattanooga-based firm that operates 215 low-priced fast-food hamburger restaurants, has agreed to acquire Po Folks, the 31-unit budget family restaurant chain based here.

This purchase gives Krystal a three-pronged chain-restaurant marketing approach on top of its lower-end Krystal units and higher-end Wendy's franchises.

Executives of both companies, which are privately held, declined to disclose the selling price of the stock.

Po Folks president Malcolm Hare said, "The management of Po Folks had as its stated goal the sale or acquisition of the chain once a certain value was reached. Krystal's offer met our requirement both financially and from the standpoint of faith in their ability and intention to continue the high standards of the concept."

Po Folks' management team: (l.-r.) Morris Dever, administration and finance vp, Roy Jones, operations vp and Malcolm Hare, president.

Last year Hare said the goal was to build the chain up to 100 units and sell or merge for $20 million. This year, because of rapid growth, the goal was revised to $25 million.

The purchase agreement is expected to be completed by Nov. 1. It is subject to approval by Po Folks stockholders.

Po Folks, which plans to open about 20 new units this year in Texas, Ohio, Mississippi and some of the seven states it already operates in, has signed franchise and joint-venture agreements to develop more than 400 restaurants, Hare said.

Earlier this year Krystal, through its Southern Food Services subsidiary, entered into an agreement with Po Folks to develop more than 80 franchised units in several states.

Gordon Davenport, chairman of Krystal's executive committee and president of Southern Food Services, said the agreement now involved more than 100 units.

Po Folks declined to grant Krystal a first-refusal buy-out option on the chain, when the franchise agreement was made. Hare said such an agreement would "not be in the best interest" of the company because it

(Continued on page 172)

Burdens restaurateurs, workers

Tip disclosure bill signed by Reagan

WASHINGTON—Starting next year, the nation's restaurants will be required to file reports to Federal tax collectors disclosing total employee tip income, under the terms of the controversial $98 billion revenue-raising bill signed into law by President Reagan.

The new reporting requirements, which have been described as a "disaster" by key food-service lobbyists, figure to create costly new administrative burdens for all but the smallest restaurant operators and could trigger bitter labor-management disputes throughout the industry.

For the nation's waiters, waitresses, bartenders and other tipped employees, the new Federal tip disclosure law may pose even more severe pocketbook implications.

Congressional advocates of the reporting requirement had charged that the vast majority of all tips received by food-service workers are not reported to the Internal Revenue Service. In fact, secret IRS studies cited—but never released—by the Senate Finance Committee allege that restaurant employees pay tax on less than 20% of their total tip income.

If those figures are accurate, the new tip disclosure law could cost food-service workers close to $1 billion a year.

Despite these problems, representatives of the nation's restaurants, lodging establishments and unionized food-service workers actively lobbied the controversial tip-reporting law through Congress as a substitute for an even more burdensome cut in business meal tax deductions approved by the Senate last month.

When the dust from the legislative debate over the '82 tax package finally settled, Con-

(Continued on page 171)

LATE NEWSBREAKS

The Wienerwald restaurant chain has petitioned courts in Munich and Zurich to appoint a receiver and protect it from creditors while it reorganizes. Wienerwald, which operates more than 1,500 restaurants in 18 countries, including about 800 IHOPs and Lums in the United States, had agreed earlier with creditor banks to concentrate on European operations and divest itself of some or all of its other holdings.

Wendy's has opened a 24-hour-a-day, drive-thru-service-only unit on North Cicero Avenue, Chicago. Wendy's has been concentrating on downsized stores (story, page 32), but the new freestanding unit is the company's first featuring drive-through-service only.

Pioneer Take Out, Los Angeles-based, 275-unit fast-food chicken chain, is rolling out a chicken breast filet sandwich and a chicken salad sandwich.

Wachtel resigns as Shoney's chief exec

By Charles Bernstein

NASHVILLE—David Wachtel Jr., who started as a Shoney's busboy 23 years ago, has resigned as Shoney's Inc. president, chief executive officer and a director just 10 months after being named ceo.

Raymond Danner, who was ceo ever since his Nashville-based Danner Foods merged with Alex Schoenbaum's Charleston, W. Va.-based Shoney's 11 years ago, reassumed the ceo post "for perhaps two more years" as well as continuing as chairman.

A new president and chief operating officer is to be named from within the company's executive ranks at the next board meeting Oct. 6.

"I chose Dave Wachtel as ceo," said Danner, "but it just didn't work out. It developed that there was a basic difference in management philosophy and policy between Dave and myself, between Dave and the board. Dave is still an immensely capable executive."

Wachtel, 40, said there were indeed differences in manage-

(Continued on page 172)

David Wachtel Jr.

Atkins new partner in "21" Club; plans growth

By Charles Bernstein

NEW YORK—Charles Agee Atkins, managing partner and head of The Securities Groups here, has become a major partner in the famed "21" Club and will contribute capital for "21" to expand as an ownership and management company.

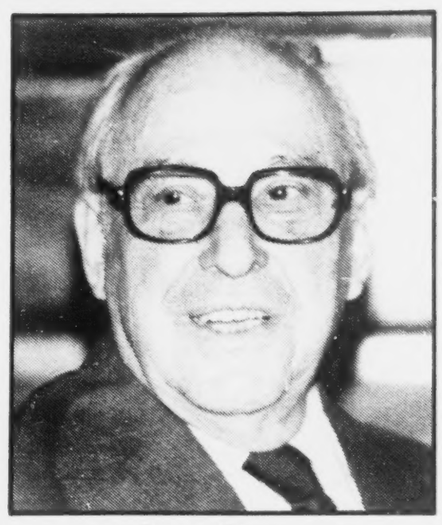
Completion of the deal, which followed months of negotiations, means that Atkins, 28, joins "21's" current owning partners who will continue to lead this restaurant's fortunes: Sheldon Tannen, Jerry Berns and Peter Kriendler. Atkins is buying a portion of Berns' and Kriendler's shares. (Background information on "21," page 71.)

Terms of the deal were not disclosed, other than that Tannen will continue as president of "21" Management Corp., which hopes to launch new hotels and restaurants in large cities and that Atkins' main role would be to "provide capital for this expansion." Earlier reports that Atkins' partnership would involve a $20 million ownership purchase were discounted as "highly exaggerated."

Meanwhile, "21" Club Management has dropped its two-year-old management contract in which it operated the Mansion on Turtle Creek restaurant and the 150-room luxury adjoining hotel. A similar deal in which "21" was to run the Remington Hotel and restaurant, slated for a November opening in Houston, was dropped too.

Both hotels are owned by Rosewood Hotels Inc., which is controlled by the H. L. Hunt family through Hunt Properties. Differences in operational philosophy and policy arose between the Hunt family and "21," inside sources indicated.

Sheldon Tannen



Jerry Berns

Executives of "21" would not comment, but one did say that "we have our own very high standards, and we can't have these compromised by other owners." (Actually the smaller restaurant offshoots of "21" in other cities were supposed to operate at an even higher culinary level.)

A search is under way by "21" to launch its own restaurant and hotel (presumably still under a different name) but with its own control or equity this time, in either Dallas, Houston or Los Angeles. Washington, Atlanta and possibly Paris or London also are being eyed.

A similar problem of outside control was encountered a few years ago when "21" dropped its management contracts first with the restaurant at John Coleman's Fairfax Hotel in Washington, D.C., and then with Cricket's restaurant at Coleman's Tremont Hotel in Chicago.

Asked why the over $10 million volume "21"—considered a huge success by anyone's measure—still wants to expand after having terminated management contracts on three restaurants and a prospective fourth, a "21" source explained, "We want to find new opportunities and challenges for our younger executives who are coming up, besides the obvious

(Continued on page 172)

David Frye to provide comic relief at MUFSO

WASHINGTON—David Frye, famous mimic, parodist, satirist, actor and cartoonist, will provide entertainment at *Nation's Restaurant News'* annual Multi-Unit Food Service Operators (MUFSO) conference awards banquet here Tuesday evening, Oct. 26.

Frye, who has impersonated Nixon, Agnew, Humphrey, Johnson, David Susskind, Henry Fonda and numerous others, is one of the features of a full MUFSO program Oct. 24-27 which will include panel discussions, workshops, keynote addresses and receptions, at the Washington Hilton Hotel. Executives from chains around the country and leading suppliers will attend.

Further details and registration information can be obtained from MUFSO coordinator Ilene Stargot, *Nation's Restaurant News*, 425 Park Ave., New York, N.Y. 10022 212-371-9400, x282 or x283.

Monterey Hotel strike settled

800 employees return to work

MONTEREY, Calif.—Nearly 800 striking hotel and restaurant workers have returned to their jobs here following ratification of a new three-year contract by the 1,800-member Local 483, Hotel Employees and Restaurant Employees International.

Workers gained an approximate 30% wage and benefit increase over three years from negotiations with the 22-member Monterey Peninsula Hotel and Restaurant Assn. to end the 17-day strike.

Among pay scales for 20 job categories set by the contract, waiters and waitresses will gain by about 15¢ an hour over three years on the old $3.45 hourly rate, while cooks will move from $48.76 to $53 per shift in the first year, with a boost of about 7.5% in each of the next two years.

Two paid holidays and sick days will be phased in over three years, one each in the second year and another one each in the third.

In addition to the Hotel and Restaurant Assn., the contract will affect a total of about 4,000 workers, including those employed by an estimated 78 other hospitality businesses in the Monterey area.

New Calif. labor rule redefines service charges as tips

By Rick Martin

SAN FRANCISCO—California labor commissioner Patrick W. Henning has redefined service charges which are tacked on to guest checks and banquet bills, calling them "compulsory gratuities" which become the sole property of employees.

The latest interpretation of state labor code provisions, contained in a policy memo to labor standards enforcement personnel, represents a major shift in emphasis by the state, which had permitted disbursement of service charges according to individual house policy.

In defining service charges as tips, Henning's memo stated that management may not share in such charges unless written permission from specific customers is obtained.

Indications are that the state may now place a burden of proof on restaurants to document that service charges they collect on each meal service are being returned in full to the personnel providing that service.

Objections to the policy shift by the industry were voiced when California Restaurant Association executive vice president Stanley R. Kyker and CRA legal counsel M. Armon Cooper met with Henning and Louis Giannini, labor commission chief counsel. Henning stated that the intent of his memo was to declare a service charge to be a gratuity unless there is some proof that the customer believes otherwise. The burden of proof in this regard is one the employer, he said.

Giannini indicated that the memo was not intended as a change in policy but rather a change in emphasis. The memorandum, he said, was intended to clarify existing policy. CRA officials expressed their position that Labor Code section 350, being interpreted in the matter, does not support the position taken in the memo.

That position is now likely to affect the way in which banquet contracts are drafted in the state, as well as affecting the policies of those restaurants that include service charges on all guest checks.

Among such restaurants is Michael's of Santa Monica, which is virtaully alone among establishments in the Los Angeles area in adding a service charge to meal tabs. At Michael's, a 17% service charge has been included on guest checks for about the last six months. According to a member of Michael's management staff the service charge there is not disbursed directly to waiters, but is, rather, regarded as a subsidy for higher-than-average hourly wages paid to service personnel. Lead waiters there reportedly earn a flat $15-an-hour wage.

Earnings

Reports circulated of mass defections of waiters from Michael's to other top-flight restaurants after institution of the service charge policy. Waiters there had reported net earnings cut in half by the new policy.

California establishments such as Michael's may now be forced to revamp their service-charge policies in light of the labor commission's stance. Previous state labor code interpretations have curbed restaurants' compulsory tip-poolir g policies and the practice of deducting from tips on credit card sales to compensate for bank charges on the tip portion of those sales.

Sweeney leaves top Amfac post

BRISBANE, Calif.—Charles Sweeney has resigned as president of Amfac Hotels continental division "to pursue other business interests," according to a company spokesperson.

President since 1979, he was previously hotel and restaurant division vice president, a spot he had held since 1976. Previously he had been a manager, then director, of regional food services since joining the company in 1973.

Prior to Sweeney's resignation, Amfac Hotels had been experiencing a period of stability in its executive ranks, a change from the steady series of management upheavals which followed relocation of the group from Chicago in 1968.

Acquisition in 1968 of the old Fred Harvey food-service group by Honolulu-based Amfac Inc. preceded Fred Harvey's restructuring as Amfac Hotels & Resorts and its relocation to the West Coast.

Hotels were developed by Amfac's continental division in Arizona and Texas beginning in 1969. During the early 1970's the company began shuttering its independent restaurant operations; by 1976 the company consisted of hotels only.

Charles Sweeney
former Amfac Hotels president

HIGHLIGHTS IN THIS ISSUE

6 Bigness—as exemplified by the nation's top 10 restaurants—can often become an excuse for lower standards. So it is particularly critical for these fine establishments to stay in the forefront of quality, says *NRN* editor Charles Bernstein in an editorial.

8 From its roots as a depressed seaside resort known only for its boardwalk and amusement piers, Atlantic City now appears poised to overshadow Las Vegas as the country's pre-eminent gambling town.

35 Shoney's is making its all-you-can-eat breakfast bar a permanent feature, and its Shoney's and Famous Recipe divisions are also eying the concept for their stores.

48 Customers must have all the information they need to make an intelligent wine purchase right on a wine list. Otherwise, the list isn't doing its job, says Wine and Spirits columnist Mort Hochstein.

64 In a Denver market crowded by the big boys, a squirt called White Spot is holding its own against tough coffee shop competition.

101 A special three-page book excerpt focuses on the pros and cons of restaurant expansion.

138 Boston's Copley Place promises to be a city-within-a-city when it is completed in 1984.

REGULAR FEATURES

Financial 4, 5
Opinion 6
People 130, 132
New Products 135, 136
Classified 162-170

NATION's RESTAURANT NEWS
(ISSN 0028-0518)
Published by Lebhar-Friedman Inc.
425 Park Ave., New York, N.Y. 10022
All Correspondence to:
Editorial Offices:
425 Park Ave., New York, N.Y. 10022
Telephone: 371-9400
Cable: LEBHAFRIED

Published biweekly—every other Monday, monthly in December. Subscription rate $15 a year, $28 for two years. Single copy rate $2. Outside U.S.A.: Canada, $16 a year, $30 for two years; Foreign subscriptions (air mail only) $100 per year. Second class postage paid at New York, N.Y., and additional mailing offices.

Copyright© 1982 by Lebhar-Friedman Inc. All rights reserved. POSTMASTER: Send change of address to Subscription Department, Nation's Restaurant News, 99 Park Ave., New York, N.Y. 10016.

For change of address, six weeks notice to Subscription Dept., 99 Park Ave., New York, N.Y. 10016 is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 16, No. 19 September 13, 1982

Slow growth shackling leading fast-feeders

(Continued from page 1)
growth vehicle for chains such as McDonald's. Customer traffic at major fast feeders has been flat or sagging for several years. And the performance of new menu items has been erratic.

These four factors traditionally have played the most important role in the sales and earnings growth of major fast-food chains. Without them, recovery from the current recession will be slow and difficult.

This gloomy picture of the fast-food industry emerges from an analysis of the performance of McDonald's, Burger King and Wendy's, the top hamburger chains, and Kentucky Fried Chicken and Church's, the leading chicken chains, for the years 1977 to the present.

The compound annual growth in unit sales for the six-year period was up 2.4% at KFC but off −1.4% at Burger King, −1.9% at McDonald's, −5.1% at Wendy's and −4.6% at Church's (See chart, page 1).

Real unit sales at the top fast feeders—actual sales after adjustments for menu price hikes—have been flat or sagging on a year-to-year basis for several years, although some experts see an improvement in this year's third and fourth quarters.

Optimists in the industry note that menu price increases are exceeding cost increases and the inflation rate, which is easing, and point to the stability of wholesale food prices and the absence of a minimum wage increase as positive signs. They also doubt whether customer counts can erode any further than they have.

Still, the industry is clearly troubled and the challenges are formidable. McDonald's, which has cornered 18% of the domestic fast-food market and 6% of the total restaurant market, has been fighting a 4% annual drop in customer counts for the last four or five years.

The much-ballyhooed turnaround at KFC has been seen mostly at company-owned units, which make up a tiny fraction of the extensive KFC system. Church's suffered a whopping 10% real sales drop in 1981 and is not faring much better this year.

Burger King, having just endured another top management shakeup directed by parent Pillsbury Co., posted flat sales in fiscal 1982 ended May 30 after a 5.5% real sales decrease in 1981. And Wendy's continues to flounder, never really having recovered from a disastrous performance in 1979 when average unit sales plummeted $70,000 to an average of $620,000.

Physical expansion has always been the most important factor in sales and earnings improvements in the industry, but for the leading fast-food chains the fast-paced expansion of the past is not happening any more.

Even if interest rates come down, easing the pressures on cash-strapped franchisees who have been unable to expand as rapidly as they wanted in the last two years, the question of market saturation haunts the industry.

In most areas of the country, the prime sites are gone. Most fast feeders have been opening new units at sales levels below their chainwide averages. Foreign expansion is an alternative to domestic unit growth, but startup costs overseas are much higher than they are in this country. Sales at foreign units are higher, too, but not by a wide enough margin to make up the difference in costs.

According to one report, two-thirds of annual sales growth in the years 1977-81 came from physical expansion at the top chains with menu hikes the next important factor. But chains like Wendy's and Church's will be hard-pressed to match their past annual expansion rates of 50% and 11%, respectively, in coming years.

In fact, the industry's double-digit expansion rate of the 1970's slowed to 4.1% in 1981 and a projected 5.8% this year for the top 100 food-service chains.

Even McDonald's, which in the past has relied more on menu price hikes than unit expansion for the bulk of its revenue growth, faces tough times. Traffic is off and menu price increases have slowed.

Add to this the effects of the rising unemployment rate on sales and customer resistance to high menu prices at McDonald's and the troubles are compounded.

McDonald's bottom line has been respectable throughout its extended period of traffic erosion; net income jumped 14% to $86.6 million in the second quarter ended June 30. But it is important to note that even as average unit sales were rising from $857,000 in 1977 to about $1.2 million this year, real sales were off. In fact, the 2% real sales gain in 1981 was the first actual increase at McDonald's since 1977, when real sales were up 5.5%.

McDonald's has relied heavily on menu price hikes which were 11% and 12% in 1978 and 1979 and about 9% in both 1980 and 1981. But with customers clearly resisting the higher prices, and with food costs relatively stable, menu price hikes have been limited to about 4% so far this year.

More than 50% of McDonald's corporate gross profits are estimated to come from rental/franchisee income; McDonald's owns more than 50% of the land, building and equipment in its domestic system and takes 11.5% of franchisee sales in rents and fees.

McDonald's unit expansion has slowed considerably—from an 11.8% annual rate in 1977 to 5% this year. The company continues to open about the same number of units per year but the sheer size of the chain makes the percentage increase lower.

McDonald's also is saddled with an enormous corporate debt—more than $1 billion as of June 30—and is not expected to meet its goal of being debt-free by 1985.

McDonald's has had more success than many other fast feeders with new menu items. Breakfast, which was rolled out in the mid-1970's, now accounts for about 18% of unit sales. A new McRib sandwich and the year-old Chicken McNuggets are selling well. But the chain dropped its chopped beefsteak sandwich last year because of poor sales and is reportedly having problems with its chicken sandwich.

Burger King, McDonald's arch foe in the domestic burger market, has set several ambitious goals for itself in the last few years but failed to meet them.

Burger King has been posting unimpressive real sales figures in recent years—flat in 1980, down 5.5% in 1981 and about flat in fiscal 1982. The chain's compound annual growth rate in unit sales for 1977 to 1982 was −2.5%.

Even though Burger King's earnings were up 10% in fiscal 1982, about one-half of the increase came from selling off company-owned sites. Burger King pays about the same for a new restaurant as McDonald's—$750,000—but McDonald's gets an estimated net profit of 17% of sales from a new unit compared to Burger King's 13%.

Some industry analysts minimize the importance of unit sales increases in the overall picture, pointing instead to the respectable bottom line gains scored by chains such as McDonald's even as real sales gains showed.

Others, however, say the fast-food industry must continue to boost unit volumes while expanding physically and strengthening its customer base.

Reagan signs tip disclosure bill

(Continued from page 1)
gress had killed the "1½ martini lunch" provision slicing business meal deductions by 50% and replaced that section with tip reporting requirements designed to raise $2.8 billion in Federal revenues over the next three years.

Those new disclosure rules apply to all food-service and beverage establishments with more than 10 workers (including part-timers and nontipped employees), where tipping is "customary." The measure specifically excludes "fast-food restaurants" and other outlets engaged in "carryout" trade.

Restaurants that are covered by the new law will be expected to file a report to IRS for the first quarter of 1983 disclosing:

- gross receipts from food and beverage sales (excluding carryout volume and sales with a mandatory service charge of 10% or more);
- aggregate tip income reported to the restaurant by all employees;
- total food and beverage sales charged on credit cards (again less carryout receipts and sales covered by a mandatory 10% or larger service charge), and
- the aggregate total of all employee tips shown on those credit card receipts.

If the restaurant's total reported tip income for all employees is less than 8% of the establishment's food and beverage dollar sales, the employer must also provide IRS with the names of all tipped employees along with a statement of their wages and the amount of tip income that each worker reported.

This information is designed to provide Federal tax collectors with an "audit trail" to track down possible tax code violators among the nation's food-service workers.

The Congressional conferees who hammered out the final version of the tax bill emphasized that employees should be warned that their tax returns would be subject to audit if total tips reported by all workers in an establishment do not amount to at least 8% of the restaurant's gross sales.

At the beginning of 1984, restaurants will be required to submit another report to IRS covering the final three quarters of '83, and similar annual tip disclosure filings will be required in every subsequent January.

At that point the rules change. If the combined tip income reported by all employees in a restaurant does not equal at least 8% of the establishment's adjusted gross food and beverage sales, the employer will be required to estimate total tip income at that 8% amount and allocate this income among his tipped workers.

The law does not set any formula for allocating tip income among employees, but rather allows each restaurateur to develop a mutually agreeable system with his workers. If labor and management fail to agree on a tip income allocation formula, IRS will step in and impose one. The tax service is expected to develop that formula as part of regulations likely to be issued sometime next year.

IRS has also been directed to develop an appeals system for restaurant workers who can produce evidence that their tip income is actually less than 8% of sales. Again, details of this system won't be available until IRS promulgates regulations; however the law specifically prohibits any formula which allocates less than 5% of adjusted food and beverage sales as employee tip income.

A report issued by the House and Senate conferees who fashioned the final law emphasizes that restaurant operators "will have no liability in connection with any dispute regarding tip allocations," and that "the allocation of the 8% amount to employees for reporting purposes will have no effect on the F.I.C.A. (Social Security) or income tax withholding responsibilities of the employer or on his F.U.T.A. (Federal unemployment tax) obligations."

As for the 8% allocation trigger, the report notes that this "figure reflects the conferees' judgment that the tip rate in establishments subject to this reporting requirement will rarely be below the 8% level. Thus, an employee who reports less than his allocated amount of tips must be able to substantiate his reporting position with adequate books and records," the conferees concluded.

25 Senators 'ambush' the restaurant industry

By Ken Rankin

During last month's Senate tax bill showdown, a group of 25 Senate Republicans and one lone Democrat successfully torpedoed restaurant industry lobbyists who were pressing to eliminate Senate Finance Committee chairman Bob Dole's controversial tip reporting mandate.

All 25 joined Dole in voting against the food-service industry's proposal, and when the Senate finally agreed to drop these tip provisions from the bill, this same group formed the nucleus of support for Dole's revenge amendment.

Ironically, the group that ambushed the restaurant industry that night includes 11 Senators who have accepted a total of more than $35,000 in campaign contributions from food-service chain political action committee groups since the 1980 elections.

Here's who joined with Dole in the Senate meal deduction massacre (asterisk denotes Senators up for re-election this year):

- William Armstrong,* R-Colo.
- Howard Baker,* R-Tenn.
- Nicholas Brady, R-N.J.
- David Boren,* D-Okla.
- John Chafee, R-R.I. ($3,500 in restaurant PAC funds)
- William Cohen,* R-Me.
- John Danforth, R-Mo. ($5,000 in restaurant PAC funds)
- Jeremiah Denton, R-Ala.
- Robert Dole, R-Kan. ($1,000 in restaurant PAC funds)
- Peter Domenici,* R-N.M.
- Slade Gorton, R-Wash. ($800 in restaurant PAC funds)
- Charles Grassley, R-Iowa ($500 in restaurant PAC funds)
- Mark Hatfield,* R-Ore.
- Samuel Hayakawa, R-Calif.
- Richard Lugar, R-Ind. ($10,500 in restaurant PAC funds)
- Charles Mac Mathias, R-Md.
- James McClure,* R-Idaho
- Robert Packwood, R-Ore. ($3,000 in restaurant PAC funds)
- Charles Percy,* R-Ill.
- Dan Quayle, R-Ind. ($1,550 in restaurant PAC funds)
- William Roth, R-Del. ($4,000 in restaurant PAC funds)
- Warren Rudman, R-N.H.
- Alan Simpson,* R-Wyo.
- Steven Symms, R-Idaho ($500 in restaurant PAC funds)
- John Tower,* R-Tex.
- Malcolm Wallop, R-Wyo. ($5,000 in PAC funds)

Holmes takes reins at Monarch

ATLANTA—Colgate Holmes, president of Chicago-based Hyatt International for the last three years, has been named president of the new Monarch Hotels company here.

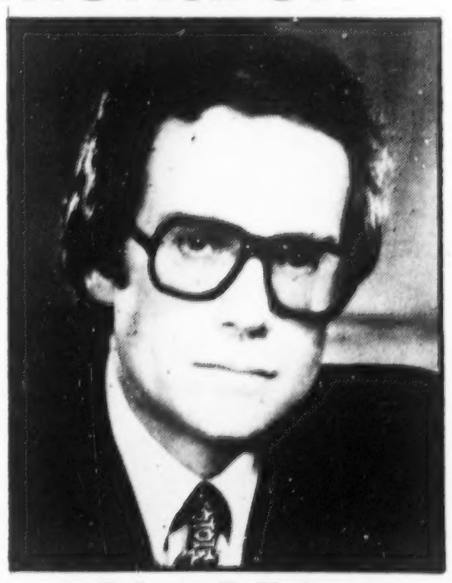
Monarch is building two initial "small exclusive" hotels, in downtown Atlanta and near the Lenox Square Shopping Center. It hopes to launch 15 such specialized hotels in the next five years, in prime markets such as San Francisco, Beverly Hills, Laguna Beach (Calif.) and Greenwich, Conn.

Monarch Hotels is owned by Atlanta-based W. B. Johnson Properties, which under chairman William B. Johnson is a major Waffle House franchisee and operates 17 Holiday Inns and Marriott hotels.

Jay Pritzker, Hyatt International chairman, will temporarily fill Holmes' post as president until a successor is found.

Holmes, 47, started in the business as a youngster at his family's Allaire Hotel in Spring Lake, N.J., near Asbury Park, and then at the family Chequers resort in the Poconos during the 1950's.

He worked at Hilton International, Intercontinental Hotels and Americana Hotels before joining Hyatt Hotels where he was general manager of the Chicago Hyatt-Regency.



Colgate F. Holmes
president, Monarch Hotels